



# Acquisition of Taiwan Broadband Communications

Macquarie International  
Infrastructure Fund Limited (MIIF)

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# Agenda



- Investment Overview
- Taiwan Broadband Communications
- Conclusion
- Appendix: Taiwan Cable Industry Snapshot



# Investment Overview

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# Introduction



- Macquarie International Infrastructure Fund (MIIF) to acquire a 20 percent interest in Taiwan Broadband Communications (TBC) from a non-Macquarie related financial investor
- TBC is the leading television broadcast infrastructure owner and cable television operator in five administrative regions of Taiwan
- Total purchase price (including transaction costs) of c.US\$178 million (S\$272 million<sup>1</sup>) represents an EV/EBITDA multiple of 12.2 times for the 12 months ended 31 December 2006
- Funded using MIIF's existing committed borrowing facilities
- Forecast to be immediately yield accretive to MIIF following financial settlement, which is expected to occur in July 2007
- Consistent with MIIF's focus on acquiring Asian assets
- Completion expected in July 2007, subject to approval of regulatory authorities and customary financial closing requirements

(1) All currency conversions at US\$1.00:S\$1.53

(2) Includes drawn balance on debt facilities of approximately S\$287.5 million as at 28 June 2007



# Investment Highlights



## Provision of an essential service

- Basic cable television (CATV) is the dominant broadcast medium in Taiwan
- Network is primary communications gateway to approximately 1 million homes
- TBC is sole provider of CATV services in the markets in which it operates
- Incumbent cable provider with no overbuilders
- Very high levels of CATV penetration (85% including non-paying subscribers)
- Currently, c.90% of TBC revenue is sourced from price-regulated CATV subscriptions

## Stable, predictable cashflow

- Taiwan is a stable and mature cable market
- Stable earnings from monthly subscriptions paid by large diverse subscriber base
- Strong operating leverage from largely fixed cost base
- Low ongoing capex due to established and digitised network

## High barriers to entry leading to a strong market position

- Licences and very high costs of replicating network create significant barrier to entry
- Other television delivery media have failed to take meaningful market share from cable operators to date



# Investment Highlights (cont.)



## Significant growth opportunities

- Organic growth driven by increasing the household penetration rate and subscriber numbers
- Strong ARPU growth potential from broadband through bundling with basic and premium TV
- Medium term upside to TV revenues from premium content and other entertainment services
- Potential to participate in further consolidation of the Taiwan cable market

## Management with strong track record

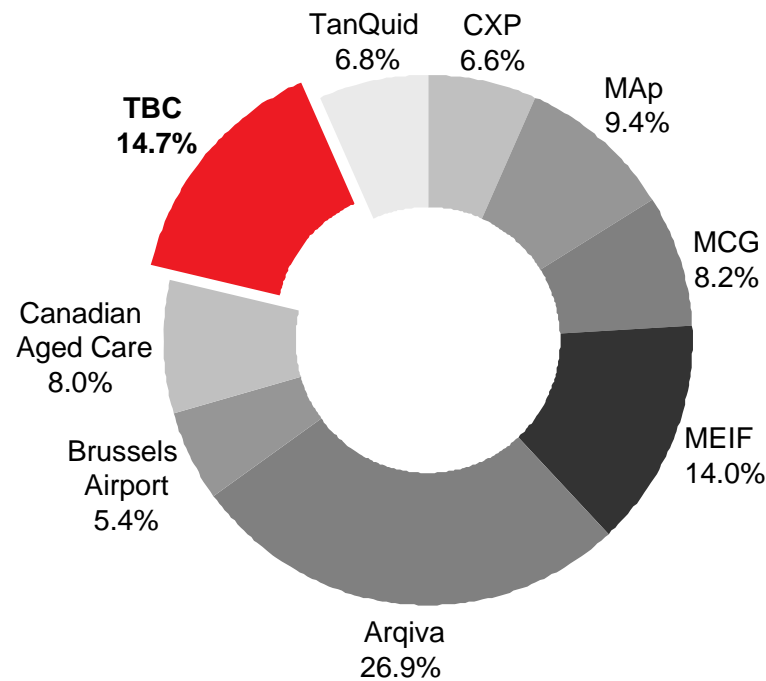
- Highly experienced management team with proven track record for delivering strong operational performances
- Industry-leading operational efficiency and EBITDA margins



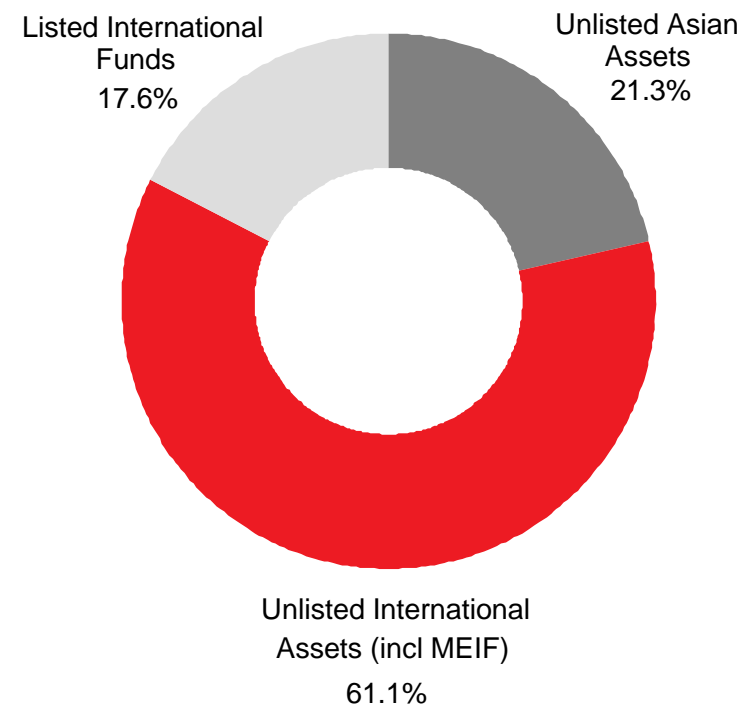
# Impact on MIF Portfolio



Portfolio Composition by Value divided by Assets<sup>(1)</sup>



Portfolio Composition by Value divided by Types<sup>(1)</sup>



- 82.4% invested in unlisted assets
- 21.3% invested in Asian assets

(1) Based on 31 March 2007 valuation, includes Arqiva rights issue for NGW acquisition of S\$260.4m and excludes MIC and DUET interests



# Taiwan Broadband Communications

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# Overview of TBC



## Overview

- Leading television broadcaster in Taiwan
- Owns five hybrid fibre coaxial (HFC) cable networks located in Central and Northern Taiwan which pass approximately one million homes
- Sole licensee and provider of cable television services in its five franchise areas

## Services

- Network is a gateway to provide subscribers with television, internet and other communications & entertainment services
- Core business is provision of basic television (670,000 subscribers) and internet access (95,000 subscribers)
- Other value-added services include digital television programming (17,000 subscribers) and telephone services

## Network

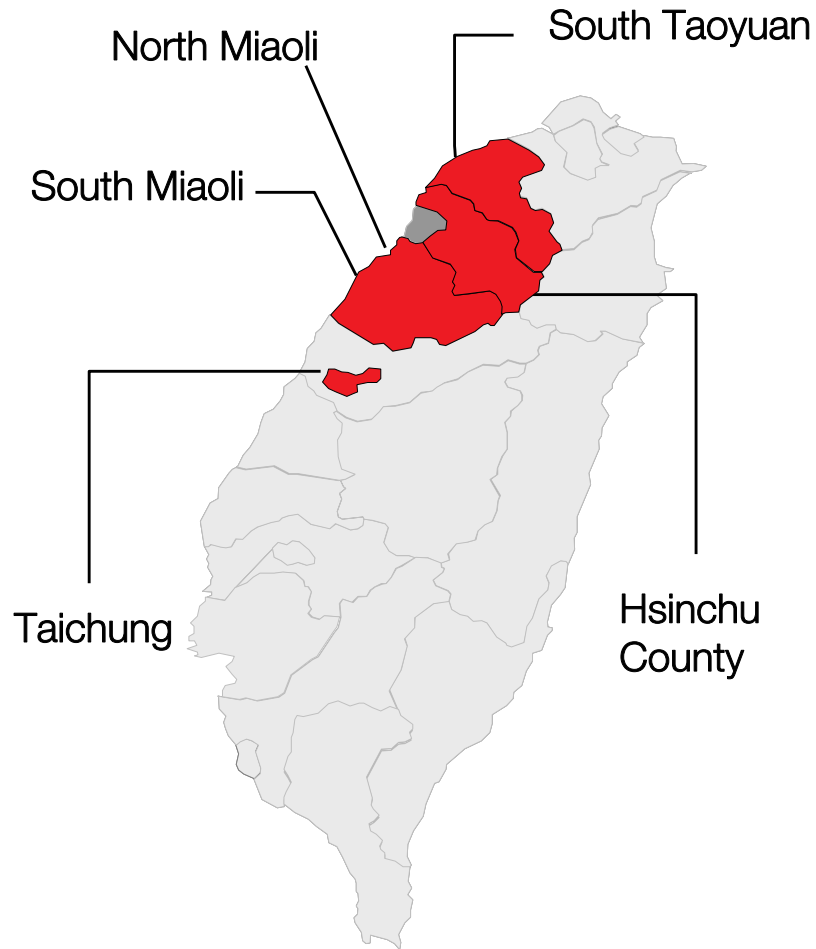
- TBC has upgraded its HFC network to 750 MHz in order to provide two-way capability and digital services
- As at 31 December 2006, c.85% of TBC's subscribers (predominantly in high density franchise areas) had access to the two-way network

## Strategy

- Optimise core business of monopoly, price-regulated basic television product
- Continue to enhance value-added service offerings as growth opportunities



# Overview of TBC (cont.)



## Market Information

Cable TV systems	5
Sole operator markets	5

## Subscribers<sup>1</sup> and ARPU

Basic TV	670,200
Broadband internet	94,998
Premium TV	17,004
Cable telephony	14,372
Basic ARPU per month <sup>2</sup>	NT\$569 (S\$26)

(1) Subscribers as at 31 March 2007  
 (2) Average revenue per user per month from basic TV subscriptions for six months to 31 December 2006  
 (3) All currency conversions at S\$1.00:NT\$21.64. Source: Bloomberg



# TBC Product Offering



## Basic TV

- Subscribers: 670,200
- ARPU<sup>1</sup>: NT\$569 (S\$26) per month per basic subscriber
- Approximately 107 channels

## Digital TV

- Subscribers: 17,004
- ARPU<sup>1</sup>: NT\$162 (S\$7) per month per digital subscriber
- Expanded offerings of 31 video and 30 music channels

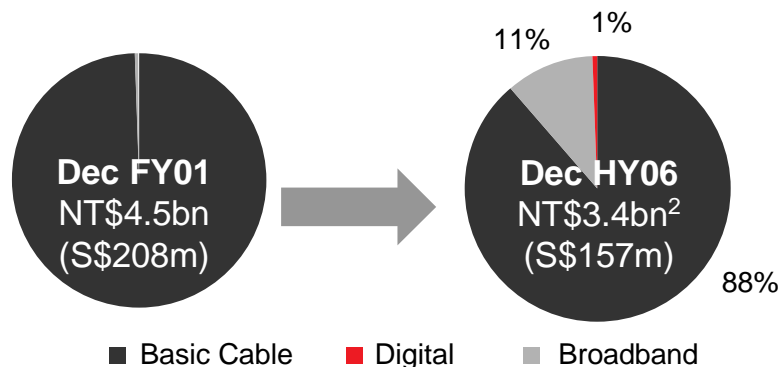
## Broadband

- Subscribers: 94,998
- ARPU<sup>1</sup>: NT\$555 (S\$26) per month per broadband subscriber
- Offers 5 speeds ranging from 256 Kbps to 10 Mbps

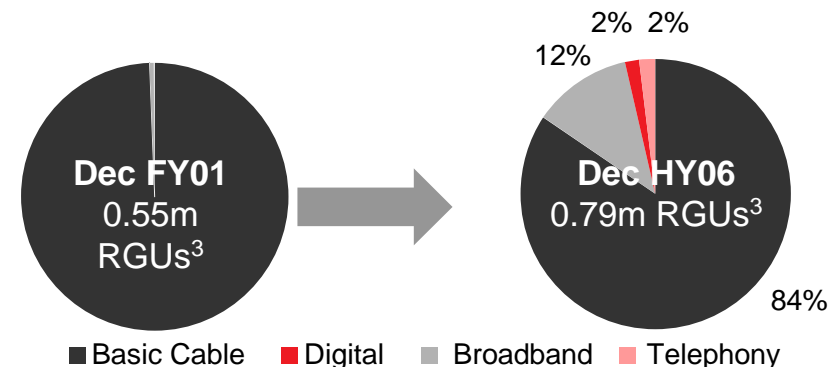
## Telephony

- Subscribers: 14,372
- ARPU<sup>1</sup>: included in broadband ARPU
- Competitive telephony solutions to complete quad play offering

## Breakdown of Revenue by Product



## Breakdown of Subscribers by Product



(1) ARPU for six months to 31 December 2006 only includes revenues from the various services provided

(2) Results for 6 months ended 31 December 2006

(3) Revenue generating units



# Competitive Advantage & Strategy



Competitive Advantages	Strategy	Objectives
<ul style="list-style-type: none"><li>▪ High quality, almost fully-upgraded network</li><li>▪ Industry cost leadership</li><li>▪ Well-clustered, wholly-owned cable operations in attractive demographic markets</li><li>▪ Market-leading TV, broadband and telephony offerings</li><li>▪ Highly experienced management team</li></ul>	<ul style="list-style-type: none"><li>▪ Optimise core business (convergence, digitisation, network utilisation)</li><li>▪ Move into adjacent growth businesses (value-added services, interactivity)</li><li>▪ Continually enhance community and industry reputation through engagement (local news services) and lobbying</li></ul>	<ul style="list-style-type: none"><li>▪ Digitise entire subscriber base</li><li>▪ Increase penetration of value-added services to global best practice levels (i.e. take-up of bundled offering)</li><li>▪ Improve industry cost leadership position through network utilisation and operational consolidation</li></ul>



# Conclusion

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# Conclusions



- ✓ Yield accretive to MIIF

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- ✓ Attractive acquisition price

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- ✓ Direct investment in an Asian asset

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- ✓ Comparable quality and excellent fit with existing portfolio

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- ✓ No equity raising required to fund acquisition



# Increasing Asian Focus



## Development of the Asian deal pipeline

- Strong pipeline of Asian investment opportunities
- Further accretive Asian infrastructure investments expected in 2007
- Due diligence underway on a number of opportunities

## Investment discipline and rigor

- Seek high quality Asian assets
- Generally exhibit strong growth profile
- Accretive to MIIF

## Funding MIIF's Asian deal pipeline

- Utilise existing debt facilities; and/or
- Opportunistically divest some non-Asian assets



# Appendix: Taiwan Cable Industry Snapshot

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# Snapshot of Cable TV Market



- Cable is the dominant delivery method for television services in Taiwan with 85% penetration and 5.6 million subscribers
- The third largest cable television market in Asia (by number of subscribers) behind China and Japan
- The market currently consists of 51 franchise areas and 64 cable television operators with 40 franchises having only a sole operator
- Consolidation has occurred in the market with the top four operators (China Network Systems, Eastern Multimedia, TBC and Pacific Broadband) servicing approximately 3.4 million subscribers (60%)
- Cable market subscriber growth over the next five years is expected to grow in-line with organic household growth in Taiwan (*Source: Media Partners Associate*)
- Total market revenue of US\$1.9 billion (S\$2.9 billion) with total industry growth forecast at 4.5% per annum over the next 10 years, largely driven by increased penetration of digital programming (*Source: Media Partners Associate*)



# Regulatory Environment



- The National Communications Commission (NCC) is the principal regulator of the broadcasting and cable television industry
- The Broadcasting and Television Law, Cable Radio and Television Law and the Telecommunications Act provide regulatory framework for Taiwan cable television industry

<b>Licensing</b>	<ul style="list-style-type: none"><li>▪ Licences for each of 51 franchise areas</li><li>▪ Each initial licence effective 9 years</li><li>▪ Renewal subject to an administrative process and self-assessment tests every three years</li></ul>
<b>Price Caps</b>	<ul style="list-style-type: none"><li>▪ Basic television prices capped at rates which vary from one franchise to another but must not exceed the maximum tariff set centrally by NCC, which is currently NT\$600 (S\$28) per month</li><li>▪ Digital services not subject to tariff caps</li></ul>
<b>Market concentration</b>	<ul style="list-style-type: none"><li>▪ No licence holder allowed to control more than 33.3% of total subscribers in Taiwan</li><li>▪ A multiple licence holder can only own half of licences in any given administration area</li><li>▪ Vertical integration not prohibited</li></ul>
<b>Foreign ownership</b>	<ul style="list-style-type: none"><li>▪ TBC ownership structure is in full compliance with Taiwan laws and regulations</li><li>▪ TBC ownership structure was last reviewed and approved by the Taiwan Investment Commission in June 2007</li></ul>
<b>Content</b>	<ul style="list-style-type: none"><li>▪ Programs produced in-house by licence holders and affiliates must not exceed 25% of content</li></ul>



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